

June 1989

FINANCIAL AUDIT

House Recording Studio Revolving Fund for 1988 and 1987





**United States
General Accounting Office
Washington, D.C. 20548**

**Comptroller General
of the United States**

B-114842

June 29, 1989

The Honorable Donald K. Anderson
Clerk of the House of Representatives

Dear Mr. Anderson:

As requested in your letter of November 16, 1988, we have audited the accompanying balance sheets of the House of Representatives Recording Studio Revolving Fund as of December 31, 1988 and 1987, and the related statements of operations and cash flows for the years then ended. We completed our audit work on March 31, 1989. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the House of Representatives Recording Studio Revolving Fund as of December 31, 1988 and 1987, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the years ended December 31, 1988 and 1987, is included in this report.

We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,



Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the House of Representatives Recording Studio Revolving Fund for the years ended December 31, 1988 and 1987. Our audits were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended December 31, 1988. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1987, is presented in GAO/AFMD-88-64, dated August 26, 1988.

As part of our audit, we made a study and evaluation of the Fund's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls into the categories of receipts, disbursements, equipment, inventory, and receivables. Our study included all of these control categories.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, management makes estimates and judgments required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and with the financial accounting policies described in note 1 to the statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected. Also,

projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, which was made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our audit, we also tested the Fund's compliance with the terms and provisions of 2 U.S.C. 123b and with rules and regulations of the Special Committee on the House Recording Studio. In our opinion, the House Recording Studio Revolving Fund complied with the terms and provisions of 2 U.S.C. 123b and the Special Committee on the House Recording Studio rules and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Fund was not in compliance with the terms and provisions of 2 U.S.C. 123b and the Special Committee on the House Recording Studio rules and regulations for those transactions not tested.

Balance Sheets

	December 31,	
	1988	1987
Assets		
Current Assets		
Revolving fund cash (note 1)	\$658,161	\$575,903
Petty cash	200	100
Accounts receivable	27,943	62,571
Inventory of materials and supplies, at cost (note 1)	15,615	16,316
Total current assets	701,919	654,890
Fixed Assets		
Equipment (note 3)	1,874,637	1,869,092
Less accumulated depreciation (note 1)	985,431	950,435
Total fixed assets	889,206	918,657
Total Assets	\$1,591,125	\$1,573,547
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$2,108	\$5,181
Government Equity		
Contributed capital	183,410	183,410
Revolving fund:		
Balance at beginning of year	1,384,956	1,295,818
Net income	20,651	89,138
Balance at end of year	1,405,607	1,384,956
Total government equity	1,589,017	1,568,366
Total Liabilities and Government Equity	\$1,591,125	\$1,573,547

The accompanying notes are an integral part of these statements.

Statements of Operations

	Total		Radio		Television		Photographic laboratory	
	1988	1987	1988	1987	1988	1987	1988	1987
Revenues								
Sales	\$351,629	\$405,566	\$57,991	\$63,350	\$194,570	\$235,195	\$99,068	\$107,021
Expenses								
Maintenance and repairs	26,032	41,202	1,848	5,739	21,884	31,199	2,300	4,264
Small equipment expense	13,215	14,772	918	436	11,179	13,601	1,118	735
Supplies	66,444	58,562	7,571	17,606	26,410	13,300	32,463	27,656
Film materials	0	7,975	0	0	0	0	0	7,975
Office supplies and expenses	6,093	5,850	2,031	1,950	2,031	1,950	2,031	1,950
Miscellaneous expenses	7,812	2,549	2,604	854	2,604	855	2,604	840
Outside processing	31,501	33,058	0	0	30,865	32,415	636	643
Depreciation of equipment	177,408	152,124	21,401	19,870	122,549	101,353	33,458	30,901
Total expenses (note 2)	328,505	316,092	36,373	46,455	217,522	194,673	74,610	74,964
Income (Loss) From Operations	23,124	89,474	21,618	16,895	(22,952)	40,522	24,458	32,057
Other Expenses								
Loss on disposal of equipment	1,816	336	1,194	0	622	336	0	0
Loss on disposal of inventory	657	0	657	0	0	0	0	0
Total other expenses	2,473	336	1,851	0	622	336	0	0
Net Income (Loss)	\$20,651	\$89,138	\$19,767	\$16,895	\$(23,574)	\$40,186	\$24,458	\$32,057

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Years ended December 31,	
	1988	1987
Cash Flows From Operating Activities		
Net income from operations	\$23,124	\$89,474
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	177,408	152,124
Loss on disposal of equipment	(1,816)	(336)
Loss on disposal of inventory	(657)	0
Decrease (increase) in assets:		
Accounts receivable	34,628	(40,065)
Inventory of materials and supplies	701	4,855
Equipment	(147,957)	(347,289)
Decrease in liabilities:		
Accounts payable	(3,073)	(100,153)
Net cash provided by (used in) operating activities	82,358	(241,390)
Cash at beginning of year	576,003	817,393
Cash Balance at End of Year	\$658,361	\$576,003

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Studio, managed by a director under the jurisdiction of the Clerk of the House of Representatives and subject to the direction and control of the Special Committee on the House Recording Studio, makes photographic prints, as well as radio and television tape recordings, for Members and committees of the House. The prices charged for services are set by the Clerk of the House, subject to the approval of the Special Committee. The House of Representatives edition of the Congressional Handbook provides a detailed description of the Studio's activities.

Studio operations are financed from the Revolving Fund and from funds appropriated to the Clerk of the House and the Architect of the Capitol. All moneys received from operations are deposited into the Revolving Fund and are available for the Studio's operations.

Each Member is authorized an allowance for the conduct of the official and representational duties of his or her office. Charges for Studio services provided to Members may be paid (1) by the House Finance Office from a Member's allowance account, (2) directly by a Member, or (3) by a media organization through a Member. Charges for Studio services provided to committees may be paid by the House Finance Office from committee funds or by a media organization through a committee.

All inventory items are valued on a weighted-average cost basis. Various items such as light bulbs and photo paper, which were previously included in the materials and supplies inventory, were charged directly to an expense account in 1987.

Equipment is depreciated over a 10-year or a 5-year period using the straight-line method. The Clerk approved a change in the depreciation policy that, effective January 1, 1988, increased the equipment capitalization minimum from \$500 to \$1,000.

Note 2. Other Operating Costs

Certain costs of operating the House Recording Studio are not paid from the revolving fund. The costs related to space occupancy, building maintenance, and utilities cannot be readily determined. Identifiable costs paid from appropriated funds of the Clerk of the House or the Architect of the Capitol for the years ended December 31, 1988 and 1987, follow.

Table 1: Identifiable Operating Costs

Costs Paid	1988	1987
Salaries and benefits	\$962,425	\$959,103
Equipment expenses paid to House Office Equipment Service	22,965	36,973
Reimbursement to House Information Systems	72,802	131,820
Telephone	14,224	17,542
Travel	2,034	0
Total	\$1,074,450	\$1,145,438

Note 3. Equipment

A summary of the changes in the equipment account for the years ended December 31, 1988 and 1987, follows.

Table 2: Changes in Equipment

	Radio	Television	Photographic laboratory	Office	Total
Balance — December 31, 1986	\$204,968	\$1,244,733	\$210,487	\$351	\$1,660,539
Additions	9,300	339,325	0	0	348,625
Reductions	0	(137,844)	(2,228)	0	(140,072)
Balance — December 31, 1987	214,268	1,446,214	208,259	351	1,869,092
Additions	6,200	116,147	52,326	0	174,673 ^a
Reductions	(3,200)	(137,179)	(28,749)	0	(169,128)
Balance — December 31, 1988	\$217,268	\$1,425,182	\$231,836	\$351	\$1,874,637

^aThis figure represents the value of equipment purchased during 1988. When reduced by the undepreciated value of equipment traded in (\$26,716), it corresponds with the cash used for purchases of equipment (\$147,957), as shown in the statement of cash flows for 1988.

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